

## Message Text

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PAGE 01 MANILA 14894 01 OF 02 250917Z  
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 L-03 H-01 PA-01  
SP-02 ICA-11 AID-05 EB-08 NSC-05 SS-15 STR-07  
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10  
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 ABF-01 /118 W  
-----105394 250919Z /21  
P 250619Z AUG 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC PRIORITY 0641

LIMITED OFFICIAL USE SECTION 01 OF 02 MANILA 14894

C O R R E C T E D C O P Y TEXT (PARA 3-A)

USADB

PASS TREASURYDEP FOR WINDER, OASIA

EO 11652:NA  
TAGS: EAID, EFIN, ADB  
SUBJECT: REMUNERATION OF ADB DIRECTORS AND ALTERNATE  
- DIRECTORS

REF: (A) TREASURY 78-117, (B) MANILA 14163

1. IN EXECUTIVE SESSION OF THE BOARD OF DIRECTORS ON  
AUGUST 24, THE PRESIDENT ANNOUNCED THAT THE COMMITTEE  
ON REMUNERATION OF DIRECTORS AND ALTERNATE DIRECTORS  
("THREE WISE MEN") HAD MET AT THE BANK ON AUGUST 22-23  
AND HAD NOW SUBMITTED ITS REPORT TO THE GOVERNOR ON  
REMUNERATION OF DIRECTORS AND ALTERNATE DIRECTORS TOGETHER  
WITH THE TEXT OF A DRAFT RESOLUTION.

2. THE BOARD OF DIRECTORS WAS NOT ASKED TO CONSIDER THE  
COMMITTEE'S REPORT BUT MERELY TO AUTHORIZE ITS TRANS-  
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PAGE 02 MANILA 14894 01 OF 02 250917Z

MITTAL TO THE GOVERNORS IN ACCORDANCE WITH THE SPECIAL  
PROCEDURES UNDER SECTION 3 OF THE BY-LAWS OF THE BANK.

3. THE REPORT NOTES THAT THE COMMITTEE EXAMINED A WIDE  
RANGE OF MATTERS INCLUDING THE FOLLOWING:

- A. THE PROCEDURAL AND FACTUAL BACKGROUND TO CHANGES

IN THE REMUNERATION OF DIRECTORS AND ALTERNATE DIRECTORS  
OF THE BANK SINCE THE INCEPTION OF THE BANK;

- B. THE MAIN DUTIES AND RESPONSIBILITIES OF DIRECTORS  
AND THEIR ALTERNATES AND THE EXPANSION OF THE BANK'S  
OPERATIONS;

- C. COMPARISON OF THE REMUNERATION OF DIRECTORS AND  
ALTERNATE DIRECTORS OF THE BANK WITH THE LEVELS OF, AND  
CHANGES TO DATE IN, THE REMUNERATION (AND OTHER RELEVANT  
ALLOWANCES) OF THEIR COUNTERPARTS IN OTHER COMPARABLE  
INTERNATIONAL FINANCIAL INSTITUTIONS;

- D. THE BENEFITS, PRIVILEGES AND REIMBURSABLE EXPENSES  
TO WHICH THE DIRECTORS AND ALTERNATE DIRECTORS OF THE  
BANK ARE ENTITLED, AND RELEVANT COMPARATIVE INFORMATION;

- E. TRENDS IN THE COST OF LIVING SINCE THE LAST REVIEW  
OF THE REMUNERATION OF DIRECTORS AND THEIR ALTERNATES  
IN DECEMBER 1976, AND THE EXTENT TO WHICH THEIR REAL  
INCOMES HAVE BEEN ERODED IN RECENT YEARS;

- F. THE HOUSING AND RENTAL SITUATION IN MANILA;

- G. THE HISTORY OF CHANGES IN SALARIES AND THE SALARY  
STRUCTURE OF PROFESSIONAL STAFF OF THE BANK AND THE COM-  
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PAGE 03 MANILA 14894 01 OF 02 250917Z

PRESSION WHICH AT PRESENT EXISTS IN THE HIGHER RANGES OF  
THE STAFF SALARY STRUCTURE.

THE COMMITTEE ALSO CONSULTED THE PRESIDENT OF THE BANK.

4. ON THE BASIS OF ALL THE ABOVE FACTORS, THE COMMITTEE  
FOUND THAT AN INCREASE IN THE REMUNERATION OF DIRECTORS  
AND THEIR ALTERNATES IS JUSTIFIED. IN DECIDING ON ITS  
RECOMMENDATIONS OF AN APPROPRIATE LEVEL OF SALARY FOR THE  
EXECUTIVE DIRECTORS, THE COMMITTEE WAS GUIDED BY THE  
AVERAGE ANNUAL INCREASE IN ADB DIRECTORS' SALARY LEVELS,  
WHICH TOOK INTO CONSIDERATION THEIR ADDITIONAL RESPONSI-  
BILITIES AND WORKLOAD AS WELL AS THE EROSION OF THEIR  
REAL INCOME DUE TO INFLATION. THE COMMITTEE WAS ALSO  
GUIDED BY THE ORIGINAL RATES OF ABOUT 89:100 BETWEEN THE  
REMUNERATION OF THE ADB DIRECTORS AND THAT OF EXECUTIVE  
DIRECTORS IN THE IBRD, A RELATIONSHIP WHICH WAS RESTORED  
AS A RESULT OF THE RECOMMENDATIONS MADE IN DECEMBER 1976.  
THE COMMITTEE CONCLUDED THAT THESE FACTORS INDIVIDUALLY  
AND IN COMBINATION WOULD INDICATE AN INCREASE OF \$4,500  
OR 11.03 PERCENT OVER PRESENT ED SALARIES FROM \$40,800  
TO \$45,300 AND HAVE RECOMMENDED ACCORDINGLY.

5. CONCERNING ALTERNATE DIRECTORS, THE COMMITTEE NOTED THAT AT THE INCEPTION OF THE BANK THE RELATION BETWEEN ALTERNATES' AND DIRECTORS' SALARIES WAS FIXED AT 80:100, THE SAME RATIO ESTABLISHED IN THE IBRD AT ITS INCEPTION. WHEREAS THE IBRD RATIO HAS VARIED ONLY SLIGHTLY SINCE 1966, THE CORRESPONDING RATIO IN THE ADB HAS MOVED UPWARD TO THE PRESENT FIGURE OF APPROXIMATELY 86:100. AS NOTED IN THE REPORT OF THE REVIEW IN 1976, DIRECTORS OF THIS BANK DO NOT HAVE THE ASSISTANCE OF ADVISORS AND TECHNICAL ASSISTANTS, AS IS THE CASE IN OTHER COMPARABLE INSTITUTIONS AND HAVE, BY FORCE OF CIRCUMSTANCES, TO RELY MORE HEAVILY ON THEIR ALTERNATES FOR ASSISTANCE. ACCORDINGLY, THE COMMITTEE RECOMMENDS THAT ALTERNATES' SALARIES BE LIMITED OFFICIAL USE

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PAGE 04 MANILA 14894 01 OF 02 250917Z

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PAGE 01 MANILA 14894 02 OF 02 250641Z  
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LIMITED OFFICIAL USE SECTION 02 OF 02 MANILA 14894

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INCREASED BY \$3,800 OR 10.86 PERCENT FROM THE PRESENT LEVEL OF \$35,000 TO \$38,800. THUS, THE RATIO BETWEEN THE ALTERNATES' AND DIRECTORS' SALARIES WOULD AMOUNT TO 85.65:100 (COMPARED TO THE CURRENT RATIO OF 85.78:100).

6. IN VIEW OF THE PROXIMITY OF THIS REVIEW TO THE REQUIRED TIMING (PER PART C (III) OF GOVERNORS RESOLUTION NO. 66 WHICH ESTABLISHED THE COMMITTEE ON REMUNERATION) OF A MEETING IN 1979, WHICH IS AN ELECTION YEAR, THE COMMITTEE RECOMMENDS THAT THIS REPORT BE REGARDED AS COMPLYING WITH THE SECOND PART OF THE ABOVE-NOTED PROVISION OF RESOLUTION NO. 60. HOWEVER, WHILE THIS WOULD NOT NECESSARILY PRECLUDE CONVENING OF A COMMITTEE AT ANY TIME BEFORE OR AFTER APRIL 30, 1979, AS CIRCUMSTANCES MAY WARRANT, THE COMMITTEE RECOMMENDS THAT THE MOST APPROPRIATE TIMING OF THE NEXT REVIEW WOULD BE IN THE SECOND HALF OF 1980.

7. ACCORDINGLY, ADB PRESIDENT YOSHIDA IS REQUESTING EACH LIMITED OFFICIAL USE

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PAGE 02 MANILA 14894 02 OF 02 250641Z

GOVERNOR'S VOTE ON THE PROPOSED RESOLUTION (INDICATING WHETHER IN FAVOR OR OTHERWISE), IN ACCORDANCE WITH THE SPECIAL PROCEDURE UNDER SECTION 3 OF THE BY-LAWS OF THE BANK, SUCH VOTE TO BE SENT BY CABLE TO REACH THE BANK BY MIDNIGHT (MANILA TIME) OF FRIDAY, SEPTEMBER 22, 1978.

8. REPORT OF THE COMMITTEE AND THE PROPOSED RESOLUTION ARE BEING POUCHED AUGUST 25. EDMOND

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## Message Attributes

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**Decaption Date:** 01 jan 1960  
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**Disposition Case Number:** n/a  
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